Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2013 and 2012 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Phihong Technology Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2013 and 2012 and changes in equity and cash flows for the nine months ended September 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As mentioned in Note 12 to the consolidated financial statements, long-term equity investments accounted for under the equity method for the nine months ended September 30, 2013 were based on unreviewed financial statements. As of September 30, 2013 and 2012, the aggregate balances of the Company's investments in its investees had amounted to $320,602 thousand and $327,602 thousand. For the three months and the nine months ended September 30, 2013 and 2012, the Company's investment income from such investments amounted to loss $871 thousand, gain $3,818 thousand and gain $229 thousand and $2,003 thousand, respectively.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the long-term equity investments and investment income of investees mentioned above been recognized based on reviewed financial statements, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission of the Republic of China, International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

November 12, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent accountants' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent accountants' review report and consolidated financial statements shall prevail.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS								
Cash and cash equivalents (Note 6)	$ 1,295,570	13	$ 1,543,288	16	$ 1,598,649	17	$ 2,119,386	20
Financial assets at fair value through profit or loss - current (Note 7)	139,306	1	-	-	-	-	-	-
Notes and trade receivables (Note 10)	2,167,786	21	1,907,482	20	1,868,592	20	1,936,108	18
Other receivables	31,956	-	54,641	1	30,497	-	81,406	1
Inventories (Note 11)	1,877,236	18	1,680,224	17	1,624,495	17	2,080,000	19
Prepayment for lease (Note 15)	3,239	-	2,788	-	2,694	-	2,792	-
Other current assets	292,843	3	154,722	2	317,538	3	219,118	2
Total current assets	5,807,936	56	5,343,145	56	5,442,465	57	6,438,810	60
NON-CURRENT ASSETS								
Available-for-sale financial assets - non-current (Note 8)	-	-	30,620	-	31,458	-	33,357	-
Financial assets measured at cost - non-current (Note 9)	116,451	1	90,945	1	90,945	1	93,254	1
Investments accounted for using equity method (Note 12)	320,602	3	339,761	4	327,602	4	355,603	3
Property, plant and equipment (Note 13)	3,962,480	38	3,517,009	37	3,435,430	36	3,472,330	33
Intangible assets (Note 14)	45,530	-	42,760	-	32,596	-	19,729	-
Deferred tax assets	47,669	1	48,419	1	50,668	1	67,496	1
Long-term prepayments for lease (Note 15)	131,504	1	129,059	1	108,942	1	114,986	1
Other non-current assets	23,448	-	32,057	-	29,491	-	50,744	1
Total non-current assets	4,647,684	44	4,230,630	44	4,107,132	43	4,207,499	40
TOTAL	$ 10,455,620	100	$ 9,573,775	100	$ 9,549,597	100	$ 10,646,309	100

	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES								
Short-term debt (Note 16)	$ 200,000	2	$ -	-	$ -	-	$ -	-
Notes and trade payable	2,340,859	22	2,088,302	22	2,013,839	21	2,028,697	19
Trade payables to related parties (Note 27)	119,381	1	48,320	-	40,568	-	35,939	-
Other payables (Note 17)	1,005,694	10	1,058,420	11	1,132,423	12	1,259,299	12
Current tax liabilities	99,491	1	93,017	1	136,473	1	204,632	2
Current portion of long-term borrowings (Note 16)	200,000	2	-	-	-	-	-	-
Other current liabilities	92,383	1	94,130	1	86,224	1	115,377	1
Total current liabilities	4,057,808	39	3,382,189	35	3,409,527	35	3,643,944	34
NON-CURRENT LIABILITIES								
Long-term borrowings (Note 16)	400,000	4	200,000	2	200,000	2	200,000	2
Deferred tax liabilities	79,832	1	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Note 19)	66,666	-	66,792	1	73,520	1	73,270	1
Other non-current liabilities	880	-	2,259	-	987	-	1,128	-
Total non-current liabilities	547,378	5	348,883	4	354,339	4	354,230	4
Total liabilities	4,605,186	44	3,731,072	39	3,763,866	39	3,998,174	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note20)								
Share capital								
Common stock	2,771,639	26	2,771,639	29	2,770,439	29	2,749,329	26
Advanced collections for common stock	-	-	-	-	-	-	16,154	-
Total capital	2,771,639	26	2,771,639	29	2,770,439	29	2,765,483	26
Capital surplus	949,615	9	949,615	10	948,631	10	926,465	8
Retained earnings								
Legal reserve	1,083,147	11	1,052,192	11	1,052,192	11	909,627	9
Special reserve	230,859	2	-	-	-	-	-	-
Unappropriated earnings	859,687	8	1,238,611	13	1,162,295	12	2,059,221	19
Total retained earnings	2,173,693	21	2,290,803	24	2,214,487	23	2,968,848	28
Other equity								
Exchange differences on translating foreign operations	(5,180)	-	(148,361)	(2)	(126,269)	(1)	-	-
Unrealized (loss) gain on available-for-sale financial assets	(30,680)	-	(15,603)	-	(17,772)	-	(22,304)	-
Total other equity	(35,860)	-	(163,964)	(2)	(144,041)	(1)	(22,304)	-
Total equity attributable to owners of the company	5,859,087	56	5,848,093	61	5,789,516	61	6,638,492	62
NON-CONTROLLING INTEREST	(8,653)	-	(5,390)	-	(3,785)	-	9,643	-
Total equity	5,850,434	56	5,842,703	61	5,785,731	61	6,648,135	62
TOTAL	$ 10,455,620	100	$ 9,573,775	100	$ 9,549,597	100	$ 10,646,309	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 12, 2013)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2013		2012		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES AND REVENUES (Note 31)	$ 3,408,602	100	$ 3,106,142	100	$ 9,040,497	100	$ 8,887,319	100
COST OF GOODS SOLD (Note 11)	2,829,578	83	2,504,535	80	7,574,521	84	7,112,744	80
GROSS PROFIT	579,024	17	601,607	20	1,465,976	16	1,774,575	20
OPERATING EXPENSES								
Sales and marketing	162,997	5	197,636	7	513,758	6	607,155	7
General and administration	120,012	4	128,815	4	379,785	4	385,442	5
Research and development	137,752	4	131,595	4	398,787	4	376,030	4
Total operating expenses	420,761	13	458,046	15	1,292,330	14	1,368,627	16
INCOME FROM OPERATIONS	158,263	4	143,561	5	173,646	2	405,948	4
NONOPERATING INCOME (EXPENSES)								
Other income	33,413	1	39,674	1	128,930	1	113,799	1
Other gains (losses) (Note 21)	(34,543)	(1)	(41,337)	(1)	(16,392)	-	(94,899)	(1)
Finance costs	(2,358)	-	(1,103)	-	(5,212)	-	(3,069)	-
Share of the profit (loss) of associates	(871)	-	3,818	-	229	-	2,003	-
Total nonoperating income (expenses)	(4,359)	-	1,052	-	107,555	1	17,834	-
INCOME BEFORE INCOME TAX	153,904	4	144,613	5	281,201	3	423,782	4
INCOME TAX EXPENSE (Note 22)	(49,097)	(1)	(51,467)	(2)	(123,058)	(1)	(195,544)	(2)
NET INCOME	104,807	3	93,146	3	158,143	2	228,238	2
OTHER COMPREHENSIVE INCOME (LOSS)								
Exchange differences on translating foreign operations (Note 20)	(54,384)	(2)	(83,432)	(3)	141,829	1	(126,327)	(1)
Unrealized gain on available-for-sale financial assets (Note 20)	-	-	3,107	-	(1,876)	-	7,296	-
Share of the other comprehensive income of associates (Note 20)	(2,687)	-	(901)	-	(13,201)	-	(2,764)	-
Total other comprehensive income (loss)	(57,071)	(2)	(81,226)	(3)	126,752	1	(121,795)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 47,736	1	$ 11,920	-	$ 284,895	3	$ 106,443	1
NET INCOME ATTRIBUTABLE TO:								
Owner of the Company	$ 104,606	3	$ 97,381	3	$ 160,054	2	$ 241,608	2
Non-controlling interests	201	-	(4,235)	-	(1,911)	-	(13,370)	-
	$ 104,807	3	$ 93,146	3	$ 158,143	2	$ 228,238	2

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2013		2012		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	$ 47,391	1	$ 16,013	-	$ 288,158	3	$ 119,871	1
Non-controlling interests	345	-	(4,093)	-	(3,263)	-	(13,428)	-
	$ 47,736	1	$ 11,920	-	$ 284,895	3	$ 106,443	1
EARNINGS PER SHARE (Note 23)								
Basic	$ 0.38		$ 0.35		$ 0.58		$ 0.87	
Diluted	$ 0.38		$ 0.35		$ 0.57		$ 0.85	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 12, 2013) (Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company – Share Capital – Common Stock	Share Capital – Advance Collections for Common Stock	Capital Surplus	Retained Earnings – Legal Reserve	Retained Earnings – Special Reserve	Retained Earnings – Unappropriated Earnings	Other Equity – Exchange Differences on Translating Foreign Operations	Other Equity – Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interest	Total Equity
BALANCE, JANUARY 1, 2012	$ 2,749,329	$ 16,154	$ 926,465	$ 909,627	$ -	$ 2,059,221	$ -	$ (22,304)	$ 6,638,492	$ 9,643	$ 6,648,135
Appropriation of the 2011 net income											
Legal reserve	-	-	-	142,565	-	(142,565)	-	-	-	-	-
Cash dividend	-	-	-	-	-	(995,969)	-	-	(995,969)	-	(995,969)
Net income (loss) for the nine months ended September 30, 2012	-	-	-	-	-	241,608	-	-	241,608	(13,370)	228,238
Other comprehensive income (loss) for the nine months ended September 30, 2012, net of income tax	-	-	-	-	-	-	(126,269)	4,532	(121,737)	(58)	(121,795)
Total comprehensive income (loss) for the nine months ended September 30, 2012	-	-	-	-	-	241,608	(126,269)	4,532	119,871	(13,428)	106,443
Advance collections for common stock transferred to capital stock	7,880	(16,154)	8,274	-	-	-	-	-	-	-	-
Issue of common stock under employee share options	13,230	-	13,892	-	-	-	-	-	27,122	-	27,122
BALANCE, SEPTEMBER 30, 2012	$ 2,770,439	$ -	$ 948,631	$ 1,052,192	$ -	$ 1,162,295	$ (126,269)	$ (17,772)	$ 5,789,516	$ (3,785)	$ 5,785,731
BALANCE, JANUARY 1, 2013	$ 2,771,639	$ -	$ 949,615	$ 1,052,192	$ -	$ 1,238,611	$ (148,361)	$ (15,603)	$ 5,848,093	$ (5,390)	$ 5,842,703
Appropriation of the 2012 net income											
Legal reserve	-	-	-	30,955	-	(30,955)	-	-	-	-	-
Cash dividend	-	-	-	-	-	(277,164)	-	-	(277,164)	-	(277,164)
Special reserve at first-time adoption of IFRSs	-	-	-	-	230,859	(230,859)	-	-	-	-	-
Net income (loss) for the nine months ended September 30, 2013	-	-	-	-	-	160,054	-	-	160,054	(1,911)	158,143
Other comprehensive income (loss) for the nine months ended September 30, 2013, net of income tax	-	-	-	-	-	-	143,181	(15,077)	128,104	(1,352)	126,752
Total comprehensive income (loss) for the nine months ended September 30, 2013	-	-	-	-	-	160,054	143,181	(15,077)	288,158	(3,263)	284,895
BALANCE, SEPTEMBER 30, 2013	$ 2,771,639	$ -	$ 949,615	$ 1,083,147	$ 230,859	$ 859,687	$ (5,180)	$ (30,680)	$ 5,859,087	$ (8,653)	$ 5,850,434

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 12, 2013)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 281,201	$ 423,782
Adjustments for:		
Reversal of impairment loss on trade receivables	(4,255)	(19,651)
Depreciation expense	316,356	345,010
Amortization expense	13,842	10,338
Finance costs	5,212	3,069
Interest income	(7,562)	(12,638)
Dividend revenue	(234)	-
Share of profit of associates	(229)	(2,003)
Loss on disposal of property, plant and equipment	(1,639)	17,474
Loss on disposal of financial assets	169	-
Write-down of inventories	41,721	21,628
Net changes in operating assets and liabilities		
Notes and trade receivable	(256,049)	87,167
Other receivables	22,667	56,397
Inventories	(238,733)	433,877
Other current assets	(133,568)	(98,420)
Other non-current assets	3,924	18,172
Notes and trade payable	252,557	(14,858)
Trade payable to related parties	71,061	4,629
Other payables	(87,160)	(151,926)
Other current liabilities	(1,747)	(30,586)
Reserve for retirement plan	(126)	250
Cash generated from operating activities	277,408	1,091,711
Interest paid	(4,203)	(2,589)
Interest received	7,580	12,021
Income tax paid	(115,834)	(219,966)
Net cash provided by operating activities	164,951	881,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(139,306)	-
Proceeds on sale of available-for-sale financial assets	31,092	-
Purchase of financial assets measured at cost	(49,996)	-
Proceeds on sale of financial assets measured at cost	10,483	-
Payments for property, plant and equipment	(634,233)	(441,749)
Proceeds from disposal of property, plant and equipment	21,298	2,534
Payments for intangible assets	(13,942)	(21,496)
Proceeds from disposal of intangible assets	122	151
Decrease in refundable deposits	4,685	3,081

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2013	**2012**
Dividend received	$ 6,419	$ 16,261
Decrease and return of capital from associates	-	10,979
Decrease and return of capital from investees of available-for-sale financial assets	-	9,195
Decrease and return of capital from investees of financial assets measured at cost	11,490	2,309
Net cash used in investing activities	(751,888)	(418,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	200,000	-
Cash dividends	(277,164)	(995,969)
Proceeds from employee stock options	-	27,122
Proceeds from long-term borrowings	400,000	-
Decrease in advance deposits received	(105)	(141)
Net cash provided by (used in) financing activities	322,731	(968,988)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	16,488	(14,191)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(247,718)	(520,737)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,543,288	2,119,386
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,295,570	$ 1,598,649

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 12, 2013) (Concluded)

(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)

1. GENERAL INFORMATION

Phihong Technology Co., Ltd. ("Phihong" or "the Company"), which was formerly known as Phihong Enterprise Co., Ltd. was incorporated on December 12, 1972 under the laws of the Republic of China ("ROC"). Under a resolution approved in the stockholders' meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

In February 2000, Phihong was authorized to have its stocks traded on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong's stocks ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

The functional currency of Phihong is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and approved for issue on November 12, 2013.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. New and revised standards, amendments and interpretations in issue but not yet effective

In addition to the disclosure in Note 3 to the consolidated financial statements as of March 31, 2013, the Company and its entire controlled subsidiaries (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC), and Standing Interpretations (SIC) that have been issued by the IASB. As of the date that the consolidated financial statements were reported and authorized for issue, the Financial Supervisory Commission ("FSC") has not announced the effective dates for the following new and revised standards, amendments and interpretations:

New, Revised Standards, Amendments and Interpretations		Effective Date Announced by IASB (Note)
Not yet endorsed by the FSC		
Amendment to IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets	January 1, 2014
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21	Levies	January 1, 2014

Note: Unless otherwise noted, the above new and revised standards, amendments and interpretations are effective for annual periods beginning on or after the respective effective dates.

b. Significant impending changes in accounting policy resulted from new, amended and revised standards and interpretations in issue but not yet effective

Except for the following, the initial application of the above new, amended and revised standards and interpretations have not had any material impact on the Group’s accounting policies:

1) IFRS 9 “Financial Instruments”

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the balance sheet date. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

2) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

3) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 require items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Previously, there were no such requirements.

4) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made some consequential amendments to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that the disclosure of such recoverable amount is required during the period when an impairment loss has been recognized or reversed. Furthermore, the Group is required to disclose the discount rate used in current and previous measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

c. Material impact on consolidated financial statements resulted from new and revised standards, amendments and interpretations in issue but not yet effective

The Group is in the process of estimating the impact of the initial application of the standards, amendments and interpretations on its financial position and results of operations. Disclosures will be provided until a detailed review of the impact has been completed and the consolidated financial statements have been approved and authorized for issuance.

4. SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations approved by the FSC.

The consolidated financial statements of the Company and its entire controlled subsidiaries are the IFRS interim financial statements for part of the period covered by its first IFRS financial statements, the consolidated financial statements for 2013. The date of transition to IFRSs was January 1, 2012. Refer to Note 32 for the impact of IFRS conversion on the consolidated financial statements.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in interim financial reports is less than disclosures required in a full set of annual financial reports.

b. Basis of preparation

The consolidated financial statements have been prepared on the same basis as the consolidated financial statements as of March 31, 2013. Refer to the Note 4 to the consolidated financial statements as of March 31, 2013 for details.

Subsidiary included in consolidated financial statements:

			Percentage of Ownership			
Investor	**Investee**	**Business Nature**	**September 30, 2013**	**December 31, 2012**	**September 30, 2012**	**January 1, 2012**
Phihong	Phihong International Corp.	Makes investments	100.00	100.00	100.00	100.00
	Phitek International Co., Ltd.	Makes investments	100.00	100.00	100.00	100.00
	Ascent Alliance Ltd.	Makes investments	100.00	100.00	100.00	100.00
	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	100.00
	American Ballast Corp.	Sells various ballasts	100.00	100.00	100.00	100.00
	Phihong Technology Japan Co., Ltd.	Sells power components	100.00	100.00	100.00	100.00
	Guang-Lai Investment Co., Ltd.	Makes investments	100.00	100.00	100.00	100.00
Phihong International Corp.	Phihong (Dongguan) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	100.00
	Phitek (Tianjin) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	100.00
	Phihong Electronics (Suzhou) Co., Ltd.	Manufactures various power supplies and ballasts	100.00	100.00	100.00	100.00
	Value Dynamic Investment Ltd.	Makes investments	100.00	100.00	100.00	100.00
	N-Lighten Technologies, Inc.	Makes investments	58.45	58.45	58.45	58.45
Value Dynamic Investment Ltd.	Yanghong Trade Co., Ltd.	Manufactures various lighting supplies	100.00	100.00	100.00	100.00
N-Lighten Technologies, Inc.	N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	100.00	100.00	100.00	100.00
Phihong Electronics (Suzhou) Co., Ltd.	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	89.88	89.88	89.88	89.88
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	100.00
	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	10.12	10.12	10.12	10.12
Ascent Alliance Ltd.	Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	100.00	100.00	100.00	100.00
	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials and transformers	100.00	100.00	100.00	100.00
Guang-Lai Investment Co., Ltd.	N-Lighten Technologies Inc.	Makes investments	19.78	19.78	19.78	19.78

c. Other significant accounting policies

The same accounting policies have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013. Refer to Note 4 to the consolidated financial statements as of March 31, 2013 for the details of summary of significant accounting policy.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Income tax

Due to the unpredictability of future profitability, the reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

b. Estimated impairment of notes and trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. The fair value of financial instruments

The Group is take the general valuation technique of market participants. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. The estimated fair value of unlisted equity instruments is base on the analysis to financial position and operation result of investee. The management of company believes that the chosen valuation techniques and assumptions used are appropriate in determine the fair value of financial instruments.

d. The impairment and useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Addition, the equipment impairment amount assessment is based on the recoverable amount of the equipment (i.e., the higher of the fair value less the costs to sell of assets and its value in use). The market prices or changes in future cash flows will affect the recoverability of these assets amounts may result in an additional combined company recognized an impairment loss or reversal of the impairment loss has been recognized.

e. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

f. Recognition of defined benefit plans

The pension expenses and pension liability which should recognized in defined benefit plans is determined using the Projected Unit Credit Method. The actuarial assumptions taked by defined benefit plans is base on discount rate, employee turnover rates and long-term employee rate. If the market and economy condition changes, may have a material impact on the amount of pension expense and pension liability.

6. CASH AND CASH EQUIVALENTS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Cash on hand	$ 1,771	$ 1,727	$ 2,519	$ 2,073
Checking accounts and demand deposits	1,200,584	1,420,595	1,539,130	1,614,016
Time deposits	93,215	57,000	57,000	164,060
Repurchase agreements collateralized by bonds	-	63,966	-	339,237
	$ 1,295,570	$ 1,543,288	$ 1,598,649	$ 2,119,386

The ranges of market rates of demand deposits, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Demand deposits and time deposits	0.01%-2.85%	0.01%-2.85%	0.01%-3.30%	0.01%-3.10%
Repurchase agreements collateralized by bonds	-	0.76%	-	0.75%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial assets designated as at FVTPL				
Guaranteed financial products	$ 139,306	$ -	$ -	$ -

The Group entered into a 7 to 15 days guaranteed financial products contract with a bank in 2013. The Group designated the entire contract as financial assets at FVTPL on initial recognition.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Quoted stocks				
Hua Jung Component Co., Ltd.	$ -	$ 30,620	$ 31,458	$ 33,357

9. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unlisted stocks				
Bao-Dian Venture Capital Co., Ltd.	$ 12,255	$ 12,255	$ 12,255	$ 12,255
Yuan-Jing Venture Capital Co., Ltd.	20,010	31,500	31,500	31,500
Han-Tong Venture Capital Co., Ltd.	49,996	-	-	-
Asiatech Taiwan Venture Fund	2,748	2,748	2,748	5,057
Neo Pac Lighting Limited	-	-	-	-
Yong-Li Investment Ltd.	9,442	9,442	9,442	9,442
TC-1 Culture Fund	22,000	22,000	22,000	22,000
Hui-Cheng Electronic Co., Ltd.	-	13,000	13,000	13,000
	$ 116,451	$ 90,945	$ 90,945	$ 93,254

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore they were measured at cost less impairment at the end of reporting period.

Yuan-Jing Venture Capital Co., Ltd. had outstanding common stock of $619,750 thousand at January 1, 2013. In third quarter of 2013, Yuan-Jing Venture Capital Co., Ltd.'s board of directors approved to decrease and return its capital in the amount of $212,575 thousand, capital reduction ratio 34.3%. The Company received the returned capital of $11,490 thousand. Yuan-Jing Venture Capital Co., Ltd. had outstanding common stock of $407,175 thousand at September 30, 2013.

The Company purchased 4,330 thousand shares of Han-Tong Venture Capital Co., Ltd. common stocks with per share of NT$11.55 at August 2013.

10. NOTES AND TRADE RECEIVABLE

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Notes receivable	$ -	$ -	$ -	$ -
Trade receivable	2,190,012	1,937,679	1,898,260	1,987,812
Less: Allowance for doubtful accounts	(22,226)	(30,197)	(29,668)	(51,704)
	$ 2,167,786	$ 1,907,482	$ 1,868,592	$ 1,936,108

The average credit period on sales of goods was 30-70 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to credit risk level of the counterparties and an analysis of their current financial position.

The aging of receivables that were past due but not impaired was as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Not overdue and not impaired	$ 2,129,018	$ 1,888,952	$ 1,843,203	$ 1,871,321
Overdue under 60 days	45,468	20,827	22,383	64,954
Overdue 60 days and longer	15,526	27,900	32,674	51,537
	$ 2,190,012	$ 1,937,679	$ 1,898,260	$ 1,987,812

Movements in the allowance for doubtful accounts recognized on trade receivables were as follows:

	Nine Months Ended September 30	
	2013	2012
Balance, beginning of period	$ 30,197	$ 51,704
Reversed of impairment loss on receivables	(4,255)	(19,651)
Amounts written off as uncollectible	(3,982)	(2,133)
Effect of exchange rate changes	266	(252)
	$ 22,226	$ 29,668

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, accounts receivable of PHA in the amount of $809,782 thousand, $435,683 thousand, $531,653 thousand and $522,793 thousand, respectively, had been pledged to secure short-term debts (the amount was not used as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, respectively). See Note 28 to the consolidated financial statements.

11. INVENTORIES

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Raw materials	$ 485,790	$ 527,235	$ 524,099	$ 617,296
Work-in-process	231,266	148,214	221,254	181,425
Finished goods	369,070	351,712	247,281	427,637
Merchandise	791,110	653,063	631,861	853,642
	$ 1,877,236	$ 1,680,224	$ 1,624,495	$ 2,080,000

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, allowance of inventory devaluation was $325,832 thousand, $291,012 thousand, $280,287 thousand and $266,370 thousand, respectively.

For the three months ended September 30, 2013 and 2012 and the nine months ended September 30, 2013 and 2012, the cost of inventories recognized as cost of goods sold was $2,829,578 thousand, $2,504,535 thousand, $7,574,521 thousand and $7,112,744 thousand, respectively. Provision for inventory devaluation and obsolescence in the amounts of $13,054 thousand, $15,288 thousand, $41,721 thousand and $21,628 thousand were included in the cost of goods sold for the three months ended September 30, 2013 and 2012, and the nine months ended September 30, 2013 and 2012, respectively.

As of January 1, 2012, inventories of PHA in the amounts of $448,725 thousand, respectively, had been pledged to secure long-term debts (the credit was not used as of January 1, 2012, respectively). See Note 28 to the consolidated financial statements.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unlisted stocks				
Hao-Xuan Venture Capital Co., Ltd.	$ 41,362	$ 55,052	$ 60,941	$ 67,350
H&P Venture Capital Co., Ltd.	146,126	152,762	144,921	147,560
Han-Yu Venture Capital Co., Ltd.	98,072	99,243	91,808	109,986
Spring City Resort Co., Ltd.	35,042	32,704	29,932	30,707
Phihong PWM Brasil Ltda.	-	-	-	-
First International Computer Do Brasil Ltda.	-	-	-	-
	$ 320,602	$ 339,761	$ 327,602	$ 355,603

At the end of the reporting period, the percentages of ownership and voting rights in associates held by the Group were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Hao-Xuan Venture Capital Co., Ltd.	24.67%	24.67%	24.67%	24.67%
H&P Venture Capital Co., Ltd.	32.26%	32.26%	32.26%	32.26%
Han-Yu Venture Capital Co., Ltd.	22.22%	22.22%	22.22%	22.22%
Spring City Resort Co., Ltd.	25.33%	25.33%	25.33%	25.33%
Phihong PWM Brasil Ltda.	60.00%	60.00%	60.00%	60.00%
First International Computer Do Brasil Ltda.	33.85%	33.85%	33.85%	33.85%

Phihong’s investments in Brazil include 60% ownership interest of Phihong PWM Brasil Ltda. and 33.85% ownership interest of First International Computer Do Brasil Ltda. Additionally, Phihong PWM Brasil Ltda. also holds 21.15% ownership interest of First International Computer Do Brasil Ltda. The other 40% ownership interest of Phihong PWM Brasil Ltda. is held by the local management team. According to cooperation mode between the Company and the local management team and under Brazilian local laws, the Company has no controlling power over Phihong PWM Brasil Ltda. Because the recoverability of the investments in Phihong PWM Brasil Ltda. and First International Computer Do Brasil Ltda. is considered remote, the Company reduced the carrying value of both investments to zero.

The summarized financial information in respect of the Group's associates was set out below:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Total assets	$ 1,706,286	$ 1,775,974	$ 1,675,317	$ 1,863,220
Total liabilities	$ 454,945	$ 503,534	$ 447,711	$ 516,588

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
Revenue for the period	$ 137,273	$ 177,921	$ 297,185	$ 456,874
Profit for the period	$ (30,301)	$ 17,279	$ (27,693)	$ 9,753
Other comprehensive income for the period	$ 81,314	$ (5,085)	$ 91,462	$ (12,321)

The equity-method investees' financial statements for the three months ended September 30, 2013 and the nine months ended September 30, 2013, which had been used to determine the carrying amount of the Group's investments and the share of profit and other comprehensive income of associates, had not been reviewed. The Group believes that, had those investees' financial statements been reviewed, any adjustments would have had no material effect on the Group's financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Freehold land	$ 271,722	$ 254,350	$ 254,867	$ 256,353
Buildings	1,622,813	1,609,159	1,639,060	1,765,101
Machinery and equipment	1,111,772	1,179,165	1,206,380	1,158,881
Other equipment	149,522	166,673	164,897	198,681
Advance payments and construction in progress	806,651	307,662	170,226	93,314
	$ 3,962,480	$ 3,517,009	$ 3,435,430	$ 3,472,330

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Cost						
Balance at January 1, 2012	$ 256,353	$ 2,513,376	$ 2,164,464	$ 578,580	$ 93,314	$ 5,606,087
Additions	-	10,849	223,497	35,625	171,712	441,683
Disposals	-	(2,320)	(50,602)	(11,703)	-	(64,625)
Effect of foreign currency exchange differences	(1,486)	(77,340)	(81,382)	(14,612)	(4,701)	(179,521)
Others	-	7,024	79,992	3,383	(90,099)	300
Balance at September 30, 2012	$ 254,867	$ 2,451,589	$ 2,335,969	$ 591,273	$ 170,226	$ 5,803,924

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Balance at January 1, 2013	$ 254,350	$ 2,446,205	$ 2,365,881	$ 604,405	$ 307,662	$ 5,978,503
Additions	16,379	31,342	50,110	36,639	531,829	666,299
Disposals	-	(2,603)	(37,977)	(24,325)	-	(64,905)
Effect of foreign currency exchange differences	993	84,077	89,533	13,743	9,635	197,981
Others	-	1,214	104,327	(63,508)	(42,475)	(442)
Balance at September 30, 2013	$ 271,722	$ 2,560,235	$ 2,571,874	$ 566,954	$ 806,651	$ 6,777,436
Accumulated depreciation and impairment						
Balance at January 1, 2012	$ -	$ 748,275	$ 1,005,583	$ 379,899	$ -	$ 2,133,757
Disposals	-	(1,796)	(36,162)	(6,670)	-	(44,628)
Depreciation expense	-	89,571	191,284	64,155	-	345,010
Effect of foreign currency exchange differences	-	(23,521)	(36,530)	(11,078)	-	(71,129)
Others	-	-	5,414	70	-	5,484
Balance at September 30, 2012	$ -	$ 812,529	$ 1,129,589	$ 426,376	$ -	$ 2,368,494
Balance at January 1, 2013	$ -	$ 837,046	$ 1,186,716	$ 437,732	$ -	$ 2,461,494
Disposals	-	(1,463)	(20,459)	(21,745)	-	(43,667)
Depreciation expense	-	75,212	191,293	49,851	-	316,356
Effect of foreign currency exchange differences	-	27,771	42,875	10,127	-	80,773
Others	-	(1,144)	59,677	(58,533)	-	-
Balance at September 30, 2013	$ -	$ 937,422	$ 1,460,102	$ 417,432	$ -	$ 2,814,956

(Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life:

Buildings	
Main building	50 years
Engineering system	10 years
Machinery and equipment	3-10 years
Other equipment	3-5 years

Refer to Note 28 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure long-term loans.

14. INTANGIBLE ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Computer software	$ 45,530	$ 42,760	$ 32,596	$ 19,729

	Nine Months Ended September 30	
	2013	2012
Cost		
Balance beginning of period	$ 77,356	$ 38,966
Additions	13,942	21,496
Disposals	(733)	(591)
Effect of foreign currency exchange differences	610	(434)
Balance end of period	$ 91,175	$ 59,437
Accumulated amortization and impairment		
Balance beginning of period	$ 34,596	$ 19,237
Amortization expense	11,403	8,290
Disposals	(611)	(440)
Effect of foreign currency exchange differences	257	(246)
Balance end of period	$ 45,645	$ 26,841

The above items of intangible assets were depreciated on a straight-line basis over estimated useful life of 2 to 5 years.

15. PREPAYMENTS FOR LEASE

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Prepayments for lease	$ 134,743	$ 131,847	$ 111,636	$ 117,778
Current	$ 3,239	$ 2,788	$ 2,694	$ 2,792
Noncurrent	131,504	129,059	108,942	114,986
	$ 134,743	$ 131,847	$ 111,636	$ 117,778

Prepayments for lease are prepaid for land use rights for land located in Mainland China.

16. BORROWINGS

Short-term debt

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unsecured loan				
Bank borrowings	$ 200,000	$ -	$ -	$ -
Interest rate	1.32%	-	-	-

Long-term debt

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unsecured loan				
Medium-term loan Repayable from March 13, 2013 to March 13, 2015; interest rate was 1.42% on September 30, 2013. Interest is paid monthly and principal is due on March 13, 2015.	$ 100,000	$ -	$ -	$ -
Medium-term loan Repayable from August 13, 2013 to August 13, 2015; interest rate was 1.42% on September 30, 2013. Interest is paid monthly and principal is due on August 13, 2015.	100,000	-	-	-
Medium-term loan Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on September 30, 2013. Interest is paid monthly and principal is due on September 27, 2014.	100,000	100,000	100,000	-
Secured loan				
Medium-term secured loan Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on September 30, 2013. Interest is due monthly and principal is due on September 27, 2014.	100,000	100,000	100,000	-
Medium-term secured loan Repayable from August 13, 2013 to August 13, 2015; interest rate was 1.37% on September 30, 2013. Interest is due monthly and principal is due on August 13, 2015.	100,000	-	-	-

(Continued)

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Medium-term secured loan Repayable from August 13, 2013 to August 13, 2015; interest rate was 1.446% on September 30, 2013. Interest is due monthly and principal is returned monthly since the 3rd year.	$ 100,000	$ -	$ -	$ -
Medium-term secured loan Repayable from December 29, 2011 to December 29, 2013; interest rate was 1.37% on September 30, 2012. Interest is paid monthly and principal is due on December 29, 2013. Principal was fully repaid in September 2012.	-	-	-	200,000
	600,000	200,000	200,000	200,000
Less: Long-term loans payable - current portion	(200,000)	-	-	-
	$ 400,000	$ 200,000	$ 200,000	$ 200,000

(Concluded)

For pledged properties and endorsements/guarantees, please see Notes 27 and 28 to the consolidated financial statements.

17. OTHER PAYABLES

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Payable for purchase of equipment	$ 45,225	$ 13,159	$ 190	$ 256
Payable for salaries and bonus	294,855	284,044	239,928	165,914
Compensation payable to employees and directors and supervisors	28,810	55,720	160,488	256,618
Payable for annual leave	36,626	32,076	30,534	34,554
Others	600,178	673,421	701,283	801,957
	$ 1,005,694	$ 1,058,420	$ 1,132,423	$ 1,259,299

18. PROVISIONS (RECORDED AS OTHER CURRENT LIABILITIES)

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Warranties	$ 10,505	$ 9,271	$ 9,205	$ 10,389
Export losses	49,052	49,052	49,052	49,052
	$ 59,557	$ 58,323	$ 58,257	$ 59,441

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local regulations on sale of goods.

The provision of export loss represents the possible product returns and rebates; the amount was estimated based on historical experience, management's judgments and other known reasons.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Under the LPA, Phihong makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in profit or loss for the nine months ended September 30, 2013 and 2012, were $12,429 thousand and $11,781 thousand, respectively; the amounts represent contributions payable to these plans by Phihong at rates specified in the rules of the plans.

b. Defined benefit plans

Based on the defined benefit plan under the Labor Standard Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Phihong contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name.

Employee benefit expenses for the nine months ended September 30, 2013 and 2012 were included in the following line items:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
Operating cost	$ 51	$ 76	$ 148	$ 202
Operating expenses	486	843	1,464	2,225
	$ 537	$ 919	$ 1,612	$ 2,427

20. EQUITY

Share Capital

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Number of shares authorized (in thousands)	600,000	600,000	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	277,164	277,164	277,044	274,933
Shares issued	$ 2,771,639	$ 2,771,639	$ 2,770,439	$ 2,749,329

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

On June 14, 2013, Phihong Technology Co., Ltd.'s board of stockholders resolved to issue 5,000 thousand restricted stock units, with a par value of NT$10 each, NT$50,000 thousand total. Exercise value of NT$0 each. Except for restrict the transfer of rights shares, the rights and obligations of these common stocks (including allotment, dividend, shareholders' voting right, and capital injection right, etc.) before the employees fulfills the vesting conditions, are in the same condition with other outstanding common stocks.

Capital Surplus

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Issuance of common shares	$ 226,556	$ 226,556	$ 225,572	$ 203,406
Conversion of bonds	661,582	661,582	661,582	661,582
Treasury share transactions	48,234	48,234	48,234	48,234
Interest payable of bond conversion	13,243	13,243	13,243	13,243
	$ 949,615	$ 949,615	$ 948,631	$ 926,465

The premium from shares issued in excess of par (share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's capital and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

Retained Earnings and Dividend Policy

Under the Company Law of the ROC and Phihong's Articles of Incorporation, 10% of Phihong's annual earnings, net of tax and any deficit, should first be appropriated as legal reserve until such reserve equals to the amount of the Phihong's capital, and then a special reserve should be appropriated as required by laws or local authorities. Any remaining earnings plus unappropriated earnings accumulated in prior years, unless to be retained partially by Phihong or resolved otherwise by the stockholders, should be appropriated as follows:

a. Not greater than 2% as remuneration to directors and supervisors;
b. Not less than 10% as bonuses to employees; and
c. The remaining as dividends, of which at least 10% should be cash dividends.

For the nine months ended September 30, 2013 and 2012, the bonus to employees was $25,929 thousand and $38,467 thousand, respectively, and the remuneration to directors and supervisors was $2,881 thousand and $4,274 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were expensed based on estimated percentage of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", a company should appropriate to special reserve. Company's use of exemptions under IFRS 1.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed to share a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2012 and 2011 had been approved in stockholders' meeting held on June 14, 2013 and June 19, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2012	**For Year 2011**	**For Year 2012**	**For Year 2011**
Legal reserve	$ 30,955	$ 142,565	$ -	$ -
Cash dividends	277,164	995,969	1.00	3.59

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 had been approved in the stockholders' meeting held on June 14, 2013 and June 19, 2012, respectively. Related amounts were as follows:

	For the Year Ended 2012		For the Year Ended 2011	
	Cash Dividends	**Stock Dividends**	**Cash Dividends**	**Stock Dividends**
Bonus to employees	$ 50,148	$ -	$ 236,998	$ -
Remuneration of directors and supervisors	5,572	-	19,620	-

There was no difference between the amounts accrued and the amounts approved in the stockholders' meetings with respect to bonus to employees and remuneration to directors and supervisors.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and ROC GAAP, and by reference to the balance sheet as of December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Special Reserves Appropriated Following First-time Adoption of IFRSs

The Company's special reserves appropriated following first-time adoption of IFRSs were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Special reserve	$ 230,859	$ -	$ -	$ -

The Company transferred unrealized revaluation increment and cumulative translation differences to retained earnings at the amount of $10,968 thousand and $250,296 thousand, respectively. The increase in retained earnings that resulted from all IFRSs adjustments was smaller than the total revaluation and translation differences; therefore, the Company appropriated to the special reserve an amount of $230,859 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Other Equity Items

a. Foreign currency translation reserve

	Nine Months Ended September 30	
	2013	**2012**
Balance, beginning of period	$ (148,361)	$ -
Exchange differences arising on translating the foreign operations	143,181	(126,269)
Balance, end of period	$ (5,180)	$ (126,269)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) were reclassified to profit or loss on the disposal of the foreign operation.

b. Investments revaluation reserve

	Nine Months Ended September 30	
	2013	**2012**
Balance, beginning of period	$ (15,603)	$ (22,304)
Unrealized gain arising on revaluation of available-for-sale financial assets	(1,876)	7,296
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(13,201)	(2,764)
Balance, end of period	$ (30,680)	$ (17,772)

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Non-controlling Interest

	Nine Months Ended September 30	
	2013	**2012**
Balance, beginning of period	$ (5,390)	$ 9,643
Attributable to non-controlling interests:		
Share of profit for the period	(1,911)	(13,370)
Exchange difference arising on translation of foreign entities	(1,352)	(58)
Balance, end of period	$ (8,653)	$ (3,785)

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
Loss on disposal of property, plant and equipment	$ (236)	$ (1,405)	$ (1,639)	$ (17,474)
Exchange loss, net	(30,954)	(33,693)	(10,267)	(63,558)
Loss on disposal of investment	-	-	(169)	-
Others	(3,353)	(6,239)	(4,317)	(13,867)
	$ (34,543)	$ (41,337)	$ (16,392)	$ (94,899)

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
An analysis of depreciation by function				
Operating costs	$ 66,197	$ 68,527	$ 199,393	$ 212,711
Operating expenses	38,724	42,427	116,963	132,299
	$ 104,921	$ 110,954	$ 316,356	$ 345,010
An analysis of amortization by function				
Operating costs	$ 1,052	$ 840	$ 3,054	$ 2,026
Operating expenses	3,676	2,886	10,788	8,312
	$ 4,728	$ 3,726	$ 13,842	$ 10,338

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
Post-employment benefits (Note 19)				
Defined contribution plans	$ 5,665	$ 7,283	$ 16,611	$ 18,027
Defined benefit plans	537	919	1,612	2,427
	6,202	8,202	18,223	20,454
Short-term employee benefits	650,304	543,721	1,819,707	1,541,701
	$ 656,506	$ 551,923	$ 1,837,930	$ 1,562,155

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
An analysis of employee benefits expense by function				
Operating costs	$ 417,015	$ 306,118	$ 1,148,475	$ 846,535
Operating expenses	239,491	245,805	689,455	715,620
	$ 656,506	$ 551,923	$ 1,837,930	$ 1,562,155

(Concluded)

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	2012	2013	2012
Current tax				
In respect of the current period	$ 49,097	$ 62,379	$ 104,925	$ 166,402
In respect of prior periods	-	(140)	17,240	402
Additional tax at 10% of unappropriated earnings	-	-	143	28,712
	49,097	62,239	122,308	195,516
Deferred tax				
In respect of the current period	-	(10,772)	750	28
Total income tax expense recognized in the current period	$ 49,097	$ 51,467	$ 123,058	$ 195,544

Accounting income and current income tax expense were reconciled as follows:

	Nine Months Ended September 30	
	2013	2012
Income tax expense at statutory rate	$ 104,925	$ 166,402
Income tax on unappropriated earnings	143	28,712
Current income tax expense	105,068	195,114
Reversal of provision for deferred income tax assets (liabilities)		
Temporary difference	750	28
Adjustments to prior year's income tax expense	17,240	402
Total income tax expense recognized in the current period	$ 123,058	$ 195,544

b. Information on integrated income tax was as follows:

	September 30, 2013
Unappropriated earnings	
Unappropriated earnings generated before January 1, 1998	$ -
Unappropriated earnings generated on and after January 1, 1998	859,687
	$ 859,687
Balance of imputation credit account (ICA)	$ 191,393

The creditable ratio for distribution of earnings of 2012 and 2011 was 27.69% (expected ratio) and 23.28%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. [The actual imputation credits allocated to shareholders of the Company was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2012 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

c. Income tax assessments

The latest income tax returns through 2010 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Income After Tax (Attributed to Owner of the Company)	Number of Common Shares Outstanding (In Thousands)	Earnings Per Share (NT$) Income After Tax (Attributed to Owner of the Company)
For the three months ended September 30, 2013			
Basic earnings per share			
Net income	$ 104,606	277,164	$ 0.38
Effect of dilutive potential common shares			
Employee share option		108	
Employee bonus		1,429	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 104,606	278,701	$ 0.38

(Continued)

	Income After Tax (Attributed to Owner of the Company)	Number of Common Shares Outstanding (In Thousands)	Earnings Per Share (NT$) Income After Tax (Attributed to Owner of the Company)
For the three months ended September 30, 2012			
Basic earnings per share			
Net income	$ 97,381	277,044	$ 0.35
Effect of dilutive potential common shares			
Employee share option		1,861	
Employee bonus		1,482	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 97,381	280,387	$ 0.35
For the nine months ended September 30, 2013			
Basic earnings per share			
Net income	$ 160,054	277,164	$ 0.58
Effect of dilutive potential common shares			
Employee share option		795	
Employee bonus		2,864	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 160,054	280,823	$ 0.57
For the nine months ended September 30, 2012			
Basic earnings per share			
Net income	$ 241,608	276,877	$ 0.87
Effect of dilutive potential common shares			
Employee share option		2,548	
Employee bonus		6,320	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 241,608	285,745	$ 0.85

(Concluded)

If the Group was able to settle the bonuses paid to employees by cash or shares, the Group presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares had a dilutive effect. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company

Qualified employees of the Company were granted 15,000 thousand options in December 2007. Each option entitles the holder to subscribe for one thousand new issued common shares of the Company. The options granted are valid for 6 years and the warrant holders can not exercise the right after 6 years from the granted date. The warrant holders can exercise the right up to half of the granted warrant units no earlier than two years from the granted date. After three years from the granted date, the warrants holders are eligible to exercise the right up to three-fourth of the granted warrant units. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the OTC on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	Nine Months Ended September 30			
	2013		2012	
	Number of Options (In Thousand Shares)	Weighted-average Exercisable Price (NT$)	Number of Options (In Thousand Shares)	Weighted-average Exercisable Price (NT$)
Balance at January 1	4,515	$18.20	6,867	$20.50
Options exercised	-		(1,323)	20.50
Options expired	-		-	-
Balance at September 30	4,515	17.30	5,544	18.20
Options exercisable, end of period	4,515		5,544	

The weighted-average share price at the date of exercise of share options for the nine months ended September 30, 2012 was NT$20.50.

Information about outstanding options was as follows:

September 30			
2013		2012	
Range of Exercise Price (NT$)	Weighted-average Remaining Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Life (Years)
$17.30-$18.20	0.25	$18.20-$20.50	1.25

25. CAPITAL MANAGEMENT

The capital structure of the Group consists of net debt (borrowings minus cash and cash equivalents) and equity attributable to owners of the Company.

Key management personnel of the Group review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to stockholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except for the financial assets carried at cost, of which fair values can not be reliably measured, the management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Available-for-sale financial assets				
Equity securities listed in ROC	$ -	$ 30,620	$ 31,458	$ 33,357

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices):

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial assets at FVTPL				
Guaranteed financial products	$ 139,306	$ -	$ -	$ -

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices. Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 1,295,570	$ 1,543,288	$ 1,598,649	$ 2,119,386
Notes and trade receivable	2,167,786	1,907,482	1,868,592	1,936,108

(Continued)

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Other receivables	$ 31,956	$ 54,641	$ 30,497	$ 81,406
Refundable deposits	23,448	28,133	29,357	32,438
Financial assets at fair value through profit or loss	139,306	-	-	-
Available-for-sale financial assets	-	30,620	31,458	33,357
Financial assets carried at cost	116,451	90,945	90,945	93,254
Financial liabilities				
Measured at amortized cost				
Short-term debts	200,000	-	-	-
Notes and trade payable	2,340,859	2,088,302	2,013,839	2,028,697
Trade payable to related parties	119,381	48,320	40,568	35,939
Other payables	1,005,694	1,058,420	1,132,423	1,259,299
Current portion of long-term debts	200,000	-	-	-
Long-term debts	400,000	200,000	200,000	200,000
Advance deposits received	880	985	987	1,128

(Concluded)

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, notes and trade receivable, other receivables, refundable/advance deposit, notes and accounts payable, accounts payable - related parties, other payables, short-term loans, and long-term loans. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are presented in Note 30.

Sensitivity analysis

The Company was mainly exposed to the currency USD.

The following table details the Group's sensitivity to a 10% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity items when New Taiwan dollars strengthen by 10% against the relevant currency. For a 10% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity items and the balances below would be negative.

	Currency USD Impact	
	Nine Months Ended September 30	
	2013	2012
Profit or loss	$ 2,231	$ 1,230

b) Interest rate risk

The Group was exposed to fair value risk and cash flow interest rate risk from short-term loans, long-term loans, time deposit, and Repurchase agreements collateralized bonds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Fair value interest rate risk				
Financial assets	$ 93,215	$ 57,000	$ 57,000	$ 164,060
Financial liabilities	500,000	200,000	200,000	200,000
Cash flow interest rate risk				
Financial assets	-	63,966	-	339,237
Financial liabilities	300,000	-	-	-

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2013 would have been lower by $3,000 thousand, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

a) Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods:

September 30, 2013

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,465,934	$ -	$ 880	$ 3,466,814
Variable interest rate instrument	-	300,000	-	300,000
Fixed interest rate instrument	400,000	100,000	-	500,000
	$ 3,865,934	$ 400,000	$ 880	$ 4,266,814

December 31, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,195,042	$ -	$ 985	$ 3,196,027
Fixed interest rate instrument	-	200,000	-	200,000
	$ 3,195,042	$ 200,000	$ 985	$ 3,396,027

September 30, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,186,830	$ -	$ 987	$ 3,187,817
Fixed interest rate instrument	-	200,000	-	200,000
	$ 3,186,830	$ 200,000	$ 987	$ 3,387,817

January 1, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,323,935	$ -	$ 1,128	$ 3,325,063
Fixed interest rate instrument	-	200,000	-	200,000
	$ 3,323,935	$ 200,000	$ 1,128	$ 3,525,063

b) Financing facilities

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unused bank financing facilities	$ 1,088,580	$ 1,761,820	$ 1,373,540	$ 1,708,000

27. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

Related Party	Relationship with the Group
Xu Sheng Technology Co., Ltd.	Other related parties
Red Sun Metal Industry Co., Ltd.	Other related parties
Shine Tech Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Dongguan Fenggang Pin Hao Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Peter Lin	Phihong's chairman

The transactions, account balances, income and expenses between the Group and the subsidiaries please see Attachment 7.

Details of transactions between the Group and other related parties were disclosed below.

b. Trading transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Purchase of goods				
Other related parties	$ 94,840	$ 41,211	$ 240,703	$ 85,020

There is no significant difference between purchase price from related parties and purchase price from unrelated parties.

The following balances of trade payables for purchases from related parties were outstanding at the end of the reporting period:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Other related parties	$ 119,381	$ 48,320	$ 40,568	$ 35,939

c. Compensation of key management personnel

The types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Short-term benefits	$ 8,896	$ 8,821	$ 24,201	$ 27,946
Post-employment benefits	94	70	202	232
	$ 8,990	$ 8,891	$ 24,403	$ 28,178

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related parties

The key management personnel of the Group have guaranteed the payments of the loans of the Company as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012. The amounts of the guarantees were $800,000 thousand, $200,000 thousand, $200,000 thousand and $200,000 thousand, respectively.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Freehold land	$ 112,450	$ 112,450	$ 112,450	$ 112,450
Buildings	151,870	159,579	162,154	170,068
Inventories	-	-	-	448,725
Trade receivable	809,782	435,683	531,653	522,793
	$ 1,074,102	$ 707,712	$ 806,257	$ 1,254,036

29. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Acquisition of property, plant and equipment	$ -	$ 408,618	$ -	$ -

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2013			December 31, 2012		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
Financial assets						
Monetary items						
USD	$ 120,173	29.5400	$ 3,549,910	$ 115,370	29.0400	$ 3,350,345
JPY	463,588	0.2983	138,288	296,607	0.3354	99,482
HKD	1,643	3.8095	6,259	3,554	3.7462	13,314
RMB	42,774	4.8036	205,469	81,781	4.6172	377,599
Financial liabilities						
Monetary items						
USD	71,232	29.5400	2,104,193	90,092	29.0400	2,616,272
JPY	4,500	0.2983	1,342	7,656	0.3354	2,568
HKD	4,950	3.8095	18,857	3,123	3.7462	11,699
RMB	154,414	4.8036	741,743	128,917	4.6172	595,236

	September 30, 2012			January 1, 2012		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
Financial assets						
Monetary items						
USD	$ 103,315	29.3600	$ 3,033,328	$ 107,850	30.2800	$ 3,265,698
JPY	350,078	0.3777	132,224	286,008	0.3888	111,200
HKD	1,294	3.7865	4,900	13,266	3.8940	51,658
RMB	45,179	4.6266	209,025	77,482	4.7944	371,480
Financial liabilities						
Monetary items						
USD	74,210	29.3600	2,178,806	80,089	30.2800	2,425,095
JPY	17,508	0.3777	6,613	16,754	0.3888	6,514
HKD	3,599	3.7865	13,627	19,548	3.8940	76,120
RMB	99,838	4.6266	461,910	74,877	4.7944	358,990

Note: Exchange rate represents the amount of New Taiwan dollars for which one foreign currency could be exchanged.

31. SEGMENT INFORMATION

The Group's power supply segment is the only one reportable segment. The power supply segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Group's other operating segments did not exceed the quantitative threshold so they are not disclosed as reportable segments. These segments mainly engage in manufacturing and selling of lighting supply and developing, manufacturing and selling monitors.

The Group adopted operating profits as the measurement threshold. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

The Company's operating segment information was as follows:

a. Segment revenues and results

	Segment Revenues		Segment Profit	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Power supply	$ 8,569,599	$ 8,321,992	$ 268,073	$ 580,980
Others	470,898	565,327	(94,427)	(175,032)
Income from continuing operations	$ 9,040,497	$ 8,887,319	173,646	405,948
Other revenue			128,930	113,799
Other gain and loss			(16,392)	(94,899)
Financial cost			(5,212)	(3,069)
Investment income recognized under equity method, net			229	2,003
Income before income tax			$ 281,201	$ 423,782

b. Segment assets and liabilities

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Power supply segment assets	$ 9,928,282	$ 9,428,404	$ 8,986,714	$ 10,419,733
Other assets	527,338	145,371	562,883	226,576
	$ 10,455,620	$ 9,573,775	$ 9,549,597	$ 10,646,309
Power supply segment liabilities	$ 4,466,137	$ 3,575,337	$ 3,636,684	$ 3,838,089
Other liabilities	139,049	155,735	127,182	160,085
	$ 4,605,186	$ 3,731,072	$ 3,763,866	$ 3,998,174

32. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation of financial information under IFRSs

The Group's consolidated financial statements for the nine months ended September 30, 2013 not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

Except for the following additional information on the impact on the transition to IFRSs, refer to Note 34 to the consolidated financial statements as of March 31, 2013 for the impact on the Group's consolidated balance sheets and consolidated statements of comprehensive income after transition to IFRSs.

1) Reconciliation of consolidated balance sheet as of September 30, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Assets						
Current assets					Current assets	
Cash and cash equivalents	$ 1,598,649	$ -	$ -	$ 1,598,649	Cash and cash equivalents	
Accounts receivable	1,868,592	-	-	1,868,592	Trade receivable	
Other financial assets, current	30,497	-	-	30,497	Other financial assets - current	
Inventories	1,624,495	-	-	1,624,495	Inventories	
Deferred income tax assets, current	38,990	-	(38,990)	-	-	5) a)
-	-	-	2,694	2,694	Prepaid rents	
Other current assets	317,538	-	-	317,538	Other current assets	
Total current assets	5,478,761	-	(38,990)	5,439,771	Total current assets	
Fund and investments					Non-current assets	
Available-for-sale financial assets, noncurrent	31,458	-	-	31,458	Available-for-sale financial assets - non-current	
Financial assets carried at cost, noncurrent	90,945	-	-	90,945	Financial assets carried at cost - non-current	
Long-term equity investments at equity method	327,602	-	-	327,602	Long-term equity investments at equity method	
Total fund and investments	450,005	-	-	450,005		
Property, plant and equipment	3,435,430	-	-	3,435,430	Property, plant and equipment	
Intangible assets						
Computer software cost	32,596	-	-	32,596	Computer software cost	
Land use rights	111,636	-	(111,636)	-	-	5) e)
Total intangible assets	144,232	-	(111,636)	32,596		
Other assets						
Deferred income tax assets, noncurrent	-	1,438	49,230	50,668	Deferred income tax assets - non-current	5) a), 5) c)
Refundable deposits	29,357	-	-	29,357	Refundable deposits	
-	-	-	108,942	108,942	Long-term prepaid lease payment	5) e)
Others	134	-	-	134	Others	
Total other assets	29,491	1,438	160,866	-	-	
-	-	-	-	4,109,826	Total non-current assets	
Total	$ 9,537,919	$ 1,438	$ 10,240	$ 9,549,597	Total	

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current liabilities					Current liabilities	
Accounts payable	$ 2,013,839	$ -	$ -	$ 2,013,839	Trade payable	
Accounts payable - related party	40,568	-	-	40,568	Trade payable - related party	
Income tax payable	136,473	-	-	136,473	Income tax payable	
Other payables	1,101,889	30,534	-	1,132,423	Other payables	5) b)
Other current liabilities	86,224	-	-	86,224	Other current liabilities	
Total current liabilities	3,378,993	30,534	-	3,409,527	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term debts	200,000	-	-	200,000	Long-term debts	
Other liabilities						
Accrued pension liabilities	65,064	8,456	-	73,520	Accrued pension liabilities	5) c)
Advance deposits received	987	-	-	987	Advance deposits received	
Deferred income tax liabilities, noncurrent	69,592	-	10,240	79,832	Deferred income tax liabilities - non-current	5) a)
Total other liabilities	135,643	8,456	10,240	-	-	
-	-	-	-	354,339	Total non-current liabilities	
Total liabilities	3,714,636	38,990	10,240	3,763,866	Total liabilities	
Stockholders' equity					Stockholders' equity	
Capital stock					Capital stock	
Common stock	2,770,439	-	-	2,770,439	Common stock	
Capital surplus					Capital surplus	
Additional paid-in capital - common stock	225,572	-	-	225,572	Additional paid-in capital - common stock	
Additional paid-in capital - bond conversion	661,582	-	-	661,582	Additional paid-in capital - bond conversion	
Treasury stock transactions	48,234	-	-	48,234	Treasury stock transactions	
Long-term equity investments	11,305	(11,305)	-	-	Long-term equity investments	5) d)
Interest payable from bond conversion	13,243	-	-	13,243	Interest payable from bond conversion	
Retained earnings					Retained earnings	
Unappropriated earnings	1,979,470	235,017	-	2,214,487	Unappropriated earnings	4), 5) b), 5) c), 5) d)
Other equity					Other equity	
Cumulative translation adjustments	124,027	(250,296)	-	(126,269)	Cumulative translation adjustments	4)
Unrealized loss on financial instruments	(17,772)	-	-	(17,772)	Unrealized loss on financial instruments	
Unrealized revaluation increment	10,968	(10,968)	-	-	Unrealized revaluation increment	4)
Total stockholders' equity of parent company	5,827,068	(37,552)	-	5,789,516	Total stockholders' equity of parent company	
Minority interest	(3,785)	-	-	(3,785)	Non-controlling interest	
Total stockholders' equity	5,823,283	(37,552)	-	5,785,731	Total stockholders' equity	
Total	$ 9,537,919	$ 1,438	$ 10,240	$ 9,549,597	Total	

(Concluded)

2) Reconciliation of consolidated statement of comprehensive income for the nine months ended September 30, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 8,880,780	$ -	$ 6,539	$ 8,887,319	Net sales	
Cost of goods sold	7,108,104	(1,899)	6,539	7,112,744	Cost of goods sold	5) b), 5) c), 5) f)
Gross profit	1,772,676	1,899	-	1,774,575	Gross profit	
Operating expenses					Operating expenses	
Sales and marketing	607,515	(360)	-	607,155	Sales and marketing	5) b), 5) c)
General and administration	406,272	(311)	(20,519)	385,442	General and administration	5) b), 5) c), 5) g)
Research and development	377,646	(1,616)	-	376,030	Research and development	5) b), 5) c)
Total	1,391,433	(2,287)	(20,519)	1,368,627	Total	
Income from operations	381,243	4,186	20,519	405,948	Income from operations	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	12,638	-	-	12,638	Interest income	
Investment income recognized under equity method, net	2,003	-	-	2,003	Investment income recognized under equity method, net	
Dividend revenue	4,927	-	-	4,927	Dividend revenue	
Gain from recovery of bad debts	20,519	-	(20,519)	-	-	5) g)
Others	96,234	-	-	96,234	Others	
Total	136,321	-	(20,519)	115,802	Total	
Nonoperating expenses and losses					Nonoperating expenses and losses	
Interest expense	3,069	-	-	3,069	Interest expense	
Loss on disposal of property, plant and equipment	17,474	-	-	17,474	Loss on disposal of property, plant and equipment	
Foreign exchange loss, net	63,558	-	-	63,558	Foreign exchange loss, net	
Others	13,867	-	-	13,867	Others	
Total	97,968	-	-	97,968	Total	
Income before income tax	419,596	4,186	-	423,782	Income before income tax	
Income tax expense	(195,516)	(28)	-	(195,544)	Income tax expense	5) c)
Consolidated net income	$ 224,080	$ 4,158	$ -	228,238	Consolidated net income	

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
				$ (126,327)	Exchange differences on translating foreign operations	
				7,296	Unrealized gains on available-for-sale financial assets	
				(2,764)	Other comprehension income recognized under equity method, net	
				(121,795)	Other comprehensive income for the period, net of tax	
				$ 106,443	Total comprehensive income for the period	

(Concluded)

3) Reconciliation of consolidated statement of comprehensive income for the three months ended September 30, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 3,105,354	$ -	$ 788	$ 3,106,142	Net sales	
Cost of goods sold	2,501,625	2,122	788	2,504,535	Cost of goods sold	5) b), 5) c), 5) f)
Gross profit	603,729	(2,122)	-	601,607	Gross profit	
Operating expenses					Operating expenses	
Sales and marketing	198,482	(846)	-	197,636	Sales and marketing	5) b), 5) c)
General and administration	129,796	351	(1,332)	128,815	General and administration	5) b), 5) c), 5) g)
Research and development	133,114	(1,519)	-	131,595	Research and development	5) b), 5) c)
Total	461,392	(2,014)	(1,332)	458,046	Total	
Income from operations	142,337	(108)	1,332	143,561	Income from operations	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	3,289	-	-	3,289	Interest income	
Investment income recognized under equity method, net	3,818	-	-	3,818	Dividend income	
Dividend income	2,642	-	-	2,642	-	5) g)
Gain from recovery of bad debts	1,332	-	(1,332)	-	Foreign exchange gain, net	
Others	33,743	-	-	33,743	Others	
Total	44,824	-	(1,332)	43,492	Total	
Nonoperating expenses and losses					Nonoperating expenses and losses	
Interest expense	1,103	-	-	1,103	Interest expense	
Loss on disposal of property, plant and equipment	1,405	-	-	1,405	Investment loss recognized under equity method, net	
Foreign exchange loss, net	33,693	-	-	33,693	Loss on disposal of property, plant and equipment	
Others	6,239	-	-	6,239	Others	
Total	42,440	-	-	42,440	Total	
Income before income tax	144,721	(108)	-	144,613	Income before income tax	
Income tax expense	(51,458)	(9)	-	(51,467)	Income tax expense	5) c)
Consolidated net income	$ 93,263	$ (117)	$ -	93,146	Consolidated net income	
				(83,432)	Exchange differences on translating foreign operations	
				3,107	Unrealized gains on available-for-sale financial assets	
				(901)	Other comprehension income recognized under equity method, net	
				(81,226)	Other comprehensive income for the period, net of tax	
				$ 11,920	Total comprehensive income for the period	

4) Exemptions from IFRS 1

The exemptions from IFRS 1 of the Group on January 1, 2012, IAS the same as that stated on the consolidated financial report of March 31, 2013. See Note 34 on the consolidated financial report of March 31, 2013.

5) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

a) Deferred income tax asset/liability

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under International Accounting Standards (IAS) 12 “Income Taxes,” deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits; thus, valuation allowance account is not needed.

In addition, under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent.

Under ROC GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However, under IAS 12, an entity offset current tax assets and current tax liabilities against each other only if the entity has a legally enforceable right to make this offset and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

b) Short-term employee benefits

Under ROC GAAP, there is no specific policy on short-term employee benefits, specifically paid vacation leaves, and the expenses for these leaves are recognized when employees actually go on leave. On transition to IFRSs, an entity should recognize the expected cost of paid vacation leaves as employees render services that increase their entitlement to these leaves.

c) Employee benefits - gain or loss on actuarial valuation on defined benefit plan

Under SFAS No. 18 - "Accounting for Pensions," unrecognized net transition obligation should be amortized over the expected average remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

Under ROC GAAP, when using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19 "Employee Benefits," the Company elected to recognize immediately all actuarial gains and losses as other comprehensive income in the period in which they occur. The subsequent reclassification to earnings is not permitted.

d) Investments and capital surplus - long-term equity investments when associates/subsidiaries issue new shares and the parent does not subscribe for these shares at its percentage of shares of the investee.

Under ROC GAAP, if an entity's investment percentage increases or decreases as a result of not subscribing for new shares issued by an investee at its current percentage of ownership of the investee, the increase or decrease in the investor company`s equity is used to adjust "capital surplus - long-term equity investments" and "long-term equity investment."

Under IFRSs, changes in equity in associates in which significant influence on the associates is retained are regarded as acquisition or disposal of shares in associates; however, changes in equity in subsidiaries in which control over the subsidiaries is retained are regarded as equity transactions. In addition, based on the "Q&A for adopting IFRSs" issued by the Taiwan Stock Exchange, accounts that do not conform to IFRSs or not covered under the Company Law as well as capital surplus items required by the Ministry of Economics Affairs should be adjusted to retained earnings at the date of transition to IFRSs.

e) Land use right

Under ROC GAAP, land use rights are recognized as intangible assets. Under IAS 17 “Leases,” land use rights should be classified under lease prepayments.

f) Allowance for sales returns and others

Under IFRSs, provisions for estimated sales returns and others should be recognized as cost of goods sold instead of a reduction in revenue in the period.

g) Recovery from provisions for loss on doubtful accounts

Under ROC GAAP, recovery from provisions for loss on doubtful accounts was recognized as nonoperating income and gains; under IFRSs, the amount is reclassified to operating expense - general and administration under IFRSs.